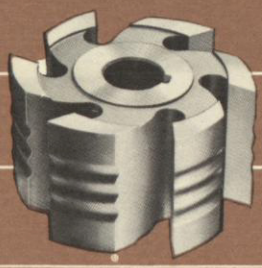

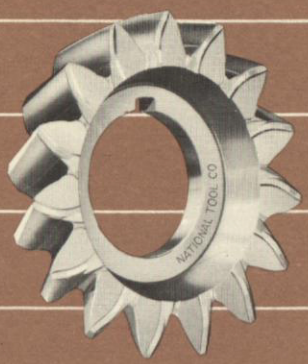

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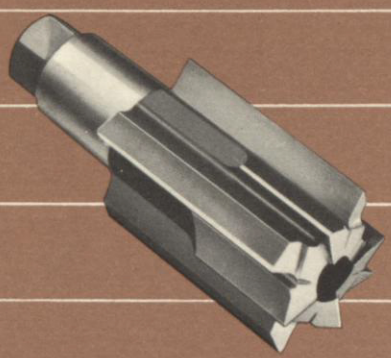
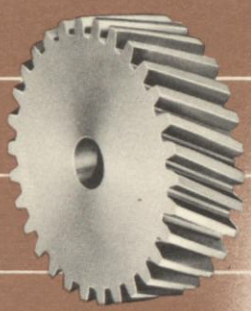
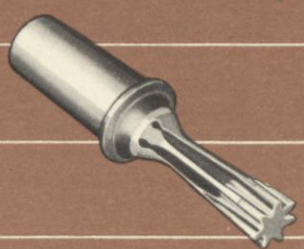
CORPORATION FILE

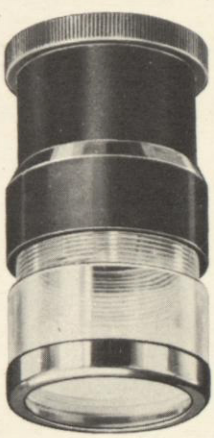
NATIONAL TOOL COMPANY

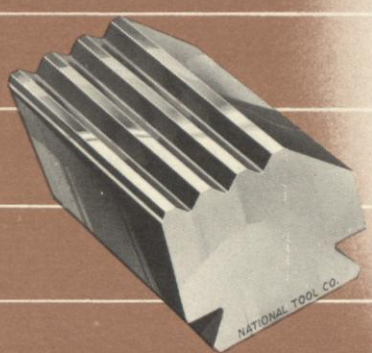
Cleveland Ohio

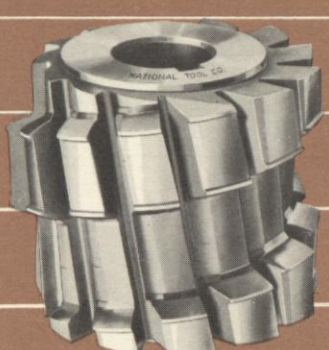


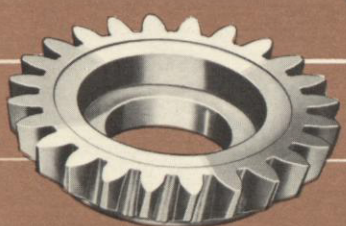












49th annual report

1953

DIRECTORS

HARRY W. BARKLEY - - - - - - - - - Cleveland, Ohio
President, National Tool Company

GEORGE O. DESAUTELS - - - - - - - - Indianapolis, Indiana
President, George O. Desautels Company

RICHARD S. HUXTABLE - - - - - - - - - Cleveland, Ohio
President, Federal Fawick Corporation

LEWIS F. JUBENVILLE - - - - - - - Orchard Lake, Michigan
Vice President, National Tool Company

J. VICTOR LOEWI - - - - - - - - - - Milwaukee, Wisconsin
President, Loewi & Company

JOHN S. PEARSON - - - - - - - - - - New York City
Dobbs & Company

RICHARD F. STEVENS - - - - - - - - - Cleveland, Ohio
Partner, Baker Hostetler & Patterson

EXECUTIVE COMMITTEE

HARRY W. BARKLEY, chairman

L. F. JUBENVILLE

J. VICTOR LOEWI

OFFICERS

HARRY W. BARKLEY - - - - - - - - - Cleveland, Ohio
President and General Manager

LEWIS F. JUBENVILLE - - - - - - - Orchard Lake, Michigan
Vice President

ARTHUR T. WEST - - - - - - - - - - Cleveland, Ohio
Secretary and Treasurer

LEWIS M. SHAFER - - - - - - - - - - Cleveland, Ohio
Assistant Secretary and Assistant Treasurer

REGISTRAR OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

TRANSFER AGENT OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

INDEPENDENT AUDITORS — HASKINS & SELLS

The Annual Meeting of Stockholders will be held on April 27, 1954. Notice of the Meeting and Proxy Form will be mailed to each holder of Common Stock on or about April 1, 1954.

TO THE STOCKHOLDERS AND EMPLOYEES OF NATIONAL TOOL COMPANY

Net sales in 1953 were $5,412,018, the third highest in the history of the Company. Sales in 1952 were $5,446,721. Sales of special cutting tools — the Company's principal product — were considerably in excess of cutting tool sales in 1952. Subcontracts for precision parts manufactured in the Company's machine shop again supplemented sales of special cutting tools.

Net income after taxes was $173,787 or seventy-four cents per share. 1952 net income was $151,231, equivalent to sixty-five cents per share. Net income before provision for Federal taxes increased to $531,787 from $348,231 earned before taxes the preceding year. The Federal Renegotiation Board has formally determined that National Tool Company's prices and profits were not excessive in the year 1951; therefore, it is believed that there will be no adjustment of profits for the years 1952 and 1953. Dividends totaling fifty cents per share were paid to 1190 stockholders in 1953. A like amount was paid in 1952.

The Company's financial position has improved consistently since 1945. The comparative balance sheet shows further improvement for 1953. Working capital at December 31 was $998,235, and the ratio of current assets to current liabilities was 2.59 to 1. There are no bank loans outstanding at the present time. A year ago bank loans amounted to $200,000. The mortgage loan has been reduced to $150,000. Inventories contain no obsolete items and turn at a rapid rate. The backlog of unfilled orders presently amounts to over $1,400,000. The backlog at December 31, 1952 was $1,926,154. Two banks have extended an open line of credit considered ample for current needs. Under the terms of a stock option, 1,000 shares of unissued common stock were sold to an officer of the Company.

For many years the gear cutting industries have recognized National Tool Company as a prime source for special cutting tools used for cutting teeth in gears. These gears, widely used in all types of power transmissions, are usually finished to a high degree of accuracy by the application of a gear shaving tool. During 1953 the Company entered into license agreements permitting it to manufacture and sell gear shaving tools. Facilities are now being installed to produce these tools in volume.

National Tool Company is the exclusive distributor of the Pocket Comparator — a precision optical measuring instrument manufactured by Bell & Howell Company of Chicago, Illinois. This contract has been renewed for an extended period. A further step toward diversification was the conclusion during 1953 of a contract for the exclusive distribution of another precision optical checking instrument which will be introduced later this year.

During the last few years the Company's sales organization has been expanded and strengthened considerably to keep pace with growth and rising demand. Plant capacity has been increased proportionately. Customer's inquiries and new orders received, which were down somewhat in January, have shown a sharp increase since that time. The cost of labor, material, and other services has increased appreciably during the last few years. In spite of this, National Tool Company has been able to maintain profit margins while holding sales prices at reasonable levels.

Management recognizes the fact that the loyalty and cooperation of its employees and country-wide sales organization have helped to make the results of the year 1953 possible. A satisfactory backlog, new products and reduced taxes should enable National Tool Company to further its position as one of the leaders in a highly competitive industry.

For the Board of Directors,
HARRY W. BARKLEY
President

MARCH 9, 1954

NATIONAL TO

BALANC

DECEMBER 31,

ASSETS

	. . . DECEMBER 31 . . . 1953	1952
CURRENT ASSETS:		
Cash	$ 304,267	$ 197,181
Accounts receivable:		
Trade (less reserve for doubtful accounts of $10,693)	458,826	642,849
Other	12,682	20,112
Inventories — at lower of cost or market:		
Finished and in-process products	602,663	511,118
Raw materials and supplies	248,090	249,701
Total current assets	$1,626,528	$1,620,961
MUTUAL INSURANCE DEPOSITS (NET) AND OTHER NON-CURRENT RECEIVABLES	$ 14,965	$ 20,563
PROPERTY, PLANT, AND EQUIPMENT — At cost:		
Land	$ 39,104	$ 39,104
Buildings	305,934	305,934
Machinery and equipment	995,559	941,659
Total	$1,340,597	$1,286,697
Less reserve for depreciation and amortization	827,443	739,459
Property, plant, and equipment — net	$ 513,154	$ 547,238
DEFERRED CHARGES	$ 86,672	$ 81,109
TOTAL	$2,241,319	$2,269,871

NOTES TO FINANCIAL STATEMENTS:

1. Five thousand shares of unissued capital stoc by an officer of the Company until April 1,
2. The payment of dividends is restricted under amount of earnings retained for use in th restriction was $377,223.
3. The Company has subcontracts which are su it is believed that renegotiation of sales pric effect, if any, on the financial statements for proceedings for the year 1951 have been co profits were realized in that year.

OL COMPANY

E SHEET

953 AND 1952

LIABILITIES

	. . . DECEMBER 31 . . . 1953	1952
CURRENT LIABILITIES:		
Notes payable to banks		$ 200,000
Current portion of mortgage payable	$ 25,000	25,000
Accounts payable:		
Trade	85,105	87,435
Other	48,352	39,845
Accruals:		
Federal taxes on income	357,457	202,729
Other taxes	12,574	12,065
Salaries, wages, and commissions	97,078	120,673
Miscellaneous	2,727	5,086
Total current liabilities	$ 628,293	$ 692,833
MORTGAGE PAYABLE, 4⅜%, DUE IN ANNUAL INSTALMENTS OF $25,000 EACH BEGINNING JULY 1, 1955 (1954 instalment included in current liabilities)	$ 125,000	$ 150,000
CAPITAL INVESTMENT AND EARNINGS RETAINED FOR USE IN THE BUSINESS:		
Common capital stock, authorized, 600,000 shares of $1 par value each; issued and outstanding, 234,591 shares (see Note 1)	$ 234,591	$ 233,591
Excess of paid-in capital over amount assigned to capital stock ($3,000 paid in during 1953)	151,916	148,916
Earnings retained for use in the business (see Note 2)	1,101,519	1,044,531
Total capital investment, etc.	$1,488,026	$1,427,038
TOTAL	$2,241,319	$2,269,871

k of the Company are subject to a purchase option
1955 at a price of $5 a share.

the terms of the 4⅜% mortgage loan payable. The
e business at December 31, 1953 free from such

ıbject to the Renegotiation Act of 1951; however,
es under these contracts will not have a material
the year ended December 31, 1953. Renegotiation
mpleted with the determination that no excessive

NATIONAL TOOL COMPANY

STATEMENT OF INCOME AND EARNINGS RETAINED FOR USE IN THE BUSINESS

For the Years Ended December 31, 1953 and 1952

	YEAR ENDED DEC. 31 1953	1952
SALES AND OTHER INCOME:		
Net sales	$5,412,018	$5,446,721
Other income	524	1,529
Total	$5,412,542	$5,448,250
LESS:		
Cost of goods sold (including depreciation and amortization of $89,000 for 1953; $77,283 for 1952)	$4,104,360	$4,368,854
Selling, general, and administrative expenses	761,480	708,412
Interest and debt expense	14,915	22,753
Total	$4,880,755	$5,100,019
INCOME BEFORE PROVISION FOR FEDERAL TAXES ON INCOME	$ 531,787	$ 348,231
PROVISION FOR FEDERAL TAXES ON INCOME (including excess profits taxes of $86,000 in 1953; $27,000 in 1952)	358,000	197,000
NET INCOME	$ 173,787	$ 151,231
EARNINGS RETAINED FOR USE IN THE BUSINESS JANUARY 1	1,044,531	1,009,600
Total	$1,218,318	$1,160,831
DIVIDENDS PAID	116,799	116,300
EARNINGS RETAINED FOR USE IN THE BUSINESS DECEMBER 31	$1,101,519	$1,044,531

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAMSON BUILDING
CLEVELAND, 14

ACCOUNTANTS' CERTIFICATE

National Tool Company:

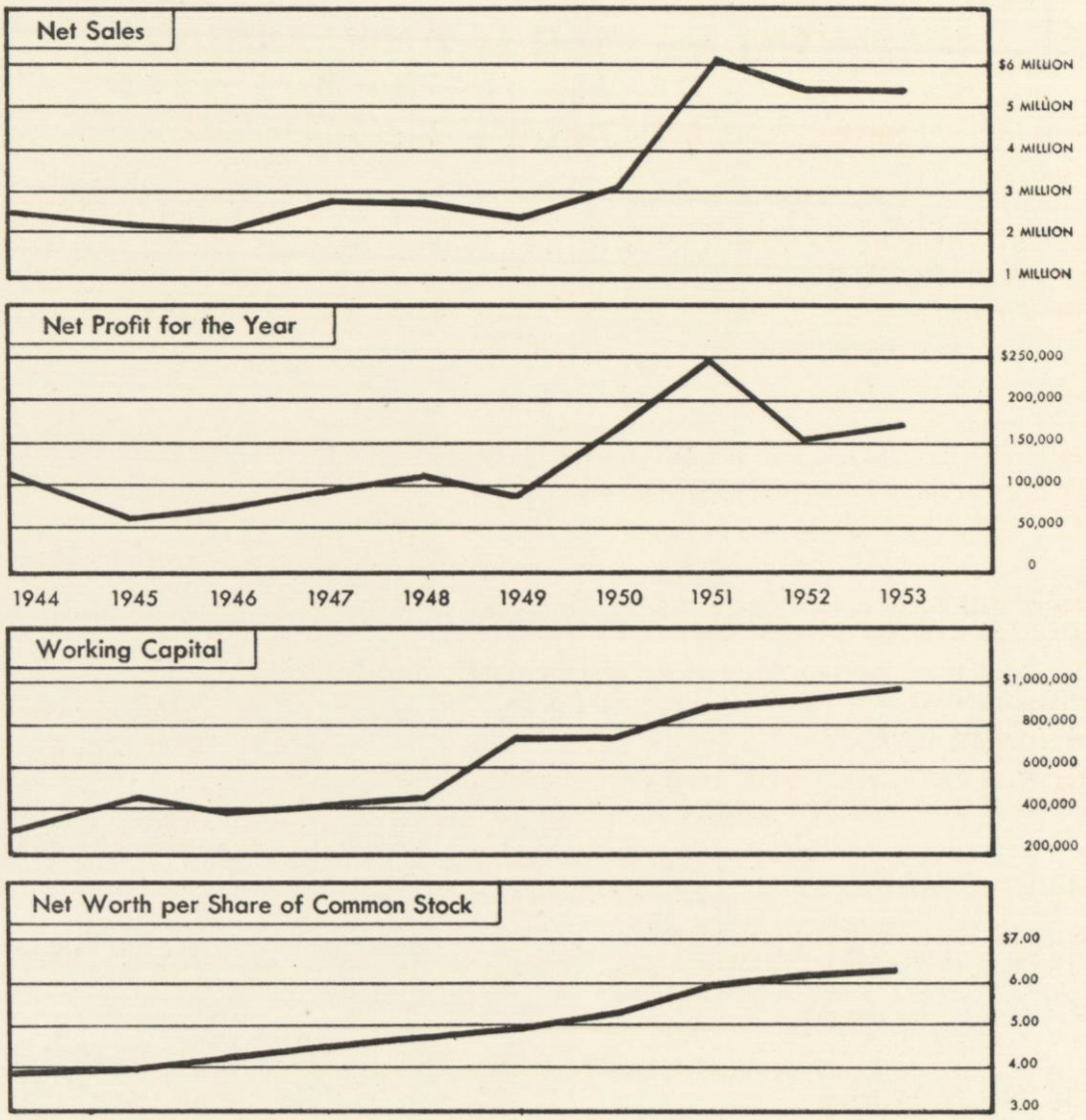
We have examined the balance sheet of National Tool Company as of December 31, 1953 and the related statement of income and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and earnings retained for use in the business present fairly the financial position of the Company at December 31, 1953 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

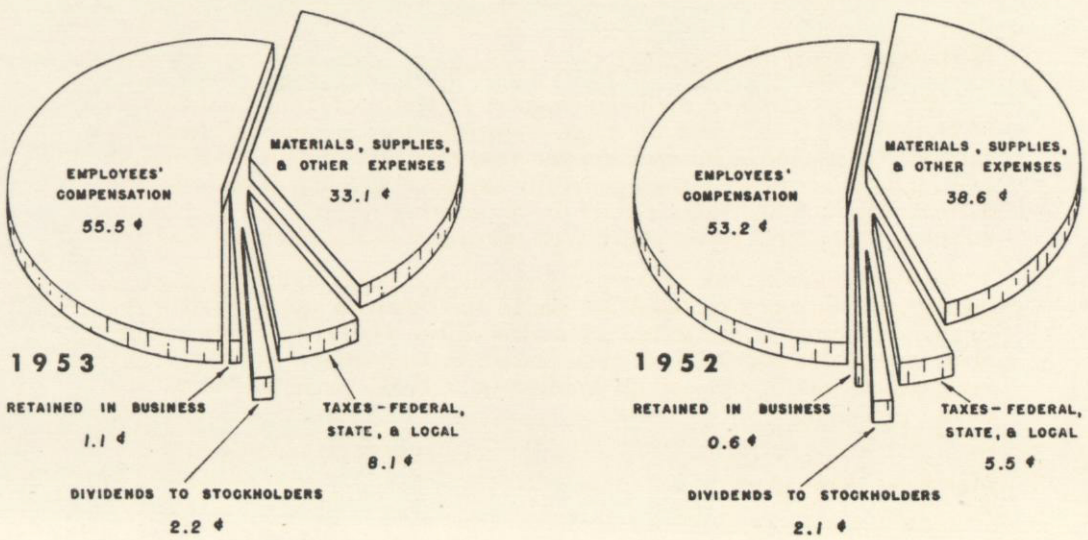
HASKINS & SELLS

March 1, 1954.

NATIONAL TOOL COMPANY



BREAKDOWN OF SALES DOLLAR



NATIONAL TOOL COMPANY

CLEVELAND OHIO